

Asphalt Cost and Availability Update – September 9, 2008

1. The current extremely volatile nature of supply and pricing for asphalt binder for Hot Mix Asphalt (HMA) has been compounded by the recent bankruptcy of one of our suppliers, Sem Materials.
2. The bankruptcy terms allow for the sale of existing supplies of Sem Materials binder. It will be a few months before the impacts of the Sem Materials bankruptcy to our market are understood.
3. The current market price for asphalt binder is \$1,300 to \$1,500 per ton. This equates to an HMA cost of over \$125 per ton. Recent bid openings have shown a wide range of prices with an upward trend. There is concern that market volatility will continue next year.
4. The asphalt and fuel cost adjustment Special Provision has been recently updated and is located on the Materials Special Provisions web page.
5. In light of the current asphalt shortage please carefully consider or reconsider the following issues on every project that is scheduled to advertise, especially during the next two months.
 - a) Pavement Type – Asphalt binder PG 64-34 is especially difficult to obtain. Are there other alternatives that can be used on the project? Consult with the Region Materials personnel.
 - b) Construction scheduling and phasing. Are there items of work that need to be completed during certain times of the year? For example, irrigation work during the winter off season.
 - c) Accounting for market volatility in the Engineer's Estimate.
6. Construction of several projects from this year has been granted time extensions due to the unanticipated binder shortage. These time extensions will no longer be granted since the contractors are aware of the supply issues. Advertising projects with HMA, especially PG 64-34, in the current market can inadvertently give a higher priority to these projects than projects currently under construction with an approved delay.
7. Advertising at the right time is critical for project success. Please evaluate advertisement timing and the associated advantages and disadvantages. Have good logical reasons to advertise, not simply because the design schedule says it is time to advertise. Kris Peterson (801) 965-4111 and Greg Searle (801) 965-4869 of the UDOT Central Construction office can offer guidance regarding the best or recommended timing to bid a project over the course of the next few months.
8. Projects funded with monies from the General Fund should proceed as planned and be advertised by the first of the year. Please take into account the current availability of asphalt in addressing construction schedules on these projects.
9. For additional information or questions please contact:
 - a) Robert Miles – (801) 965-4362
 - b) David Osborn – (801) 965-4142
 - c) Jason Henrie – (801) 957-8605